

MALAWI

Lilongwe Water Supply

GIF FUNDING & LEVERAGE

GIF Project Preparation and Structuring Activity:

\$1.1 million

Potential Private Investment Mobilized:

\$15 million

The city of Lilongwe, in central Malawi, is an important trade center of the country with a population of approximately one million. Following a drought in 2016, the government made water supply a priority. A grant from the GIF is expected to mobilize \$15 million in private sector investment to build and operate a new water treatment plant, which will expand capacity by 50,000 cubic meters per day.

EXPECTED PROJECT OUTCOMES

- ◆ Mobilize private investment of approximately \$15 million
- ◆ Increase water production by at least 50,000 cubic meters per day, which will significantly alleviate water shortages in the medium- to long-term
- ◆ Supports the government's priorities—improving water security in Lilongwe
- ◆ Contribute to the Malawi Growth and Development Strategy, which aims to reduce poverty through sustainable economic growth and infrastructure development

TECHNICAL PARTNERS

BACKGROUND

The Lilongwe Water Board (LWB) has been struggling to operate and maintain two water treatment facilities with an installed capacity of 125,000 cubic meters per day to meet the needs of its rapidly-growing population. A third treatment plant could expand water production capacity from the Lilongwe River by an additional 50,000 cubic meters. An analysis by the International Finance Corporation (IFC) indicates that an investment of \$20 million would be needed to build, operate and maintain the facility and rehabilitate the existing plants.

In addition, the World Bank is preparing to provide concessional funding of \$70 million for network rehabilitation and expansion, and \$7 million for capacity building and planning to LWB. Also, as part of the World Bank credit, a guarantee is being developed for the project.

The Ministry of Agriculture, Irrigation and Water Development of Malawi is the leading institution in the country's water sector. Among its responsibilities is the planning, design and construction of water supply and sanitation infrastructure. It also develops water supply policy, sets technical standards and procedures, monitors water quality, and ensures proper maintenance and management.

Five water boards, each covering designated areas, are responsible for operating and managing urban water supply and sanitation systems, including implementation of investment plans. The National Water Resources Authority issues water abstraction and wastewater discharge licenses.

The National Water Policy of 2005 mandates that the Ministry and water utilities promote private sector participation in water development and water supply services, and provides for a clear role of the private sector in such projects.

The Public-Private Partnership (PPP) Act of 2011 provides the overall legal framework for all PPPs in Malawi, with

the water sector as a priority. Under the PPP Act, government entities can act as the contracting authority for the procurement of PPPs.

PROJECT FEATURES

The proposed project structure specifies that a private operator will finance and build a new water treatment plant and operate and maintain it during the concession period. The private operator would essentially be responsible for supplying bulk water to LWB, which would remain responsible for distribution and customer connections, billing and collections.

This project also complements the raising of the Kamuzu Dam I, which is currently under procurement with support from the European Investment Bank. This will increase the storage capacity and strengthen climate resilience. In addition, associated World Bank support will address the high level of non-revenue water. The PPP will seek to maximize energy efficiency in the treatment plant therefore improving resources efficiency.

WHY GIF

Support from the GIF is a key factor in developing this project. The GIF is providing a \$1.1 million grant to assist the LWB with the preparation of a PPP transaction. The funding supports IFC's role as a transaction advisor and hiring of technical and legal consultants to prepare the transaction. This will enable IFC to:

- ◆ Update its analysis for the third treatment plant
- ◆ Propose a transaction structure and term sheet
- ◆ Support the PPP process to reach commercial close
- ◆ Draft PPP contracts and bidding documents

GIF-supported project preparation and structuring activities include detailed appraisal of the viability, sustainability and value for money of the project.

The Global Infrastructure Facility, or GIF, is a partnership of governments, multilateral development banks and private sector financiers that facilitates private-sector investment in complex infrastructure projects in emerging economies. We serve as a platform through which governments collaborate with international financial institutions and private sector investors to design, structure and implement these complex projects.

The comprehensive project-preparation support provided by the GIF draws on the expertise of its advisory partners which includes commercial banks and institutional investors. The broad partnership ensures that well-structured and bankable infrastructure projects are brought to market in a way that meets the needs of governments and service users in a sustainable way.